



The Office of the Prothonotary

Audit Report

For the Period January 1, 2005 through December 31, 2007

David Rossi
Beaver County Controller

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DAVID A. ROSSI
CONTROLLER



WILLIAM CALHOON
CHIEF DEPUTY CONTROLLER
ALBERT A. TORRENCE
SOLICITOR

BEAVER COUNTY COURTHOUSE
THIRD STREET – BEAVER, PENNSYLVANIA 15009-2196
TELEPHONE: Area Code 724-728-5700

March 6, 2008

Nancy Werme
Beaver County Prothonotary
Beaver County Court House
Beaver, PA 15009

Dear Ms. Werme:

We have audited the financial records of the Office of the Prothonotary in the County of Beaver of the state of Pennsylvania for the period January 1, 2005 through December 31, 2007. Based upon this audit we have issued our report thereon dated March 6, 2008.

We conducted our audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Based upon our review of the financial records, we have made the following findings and recommendations as detailed in this report.

David A. Rossi
David A. Rossi
Beaver County Controller

AUDIT SCOPE:

The scope of this audit encompasses the period from January 1, 2005 to December 31, 2007.

AUDIT OBJECTIVES:

Through the completion of internal control questionnaires, control tests, substantive tests, and observation, the following audit objectives were accomplished for this audit:

- Prepare a financial statement for each year reviewed
- Evaluate controls over the Office of the Prothonotary bank accounts and change fund
- Ensure that funds are deposited on the same day received
- Ensure that funds received are disbursed to the proper payees
- Ensure that funds held in escrow are adequate
- Ensure that funds receipted are applied to the proper case
- Ensure that costs and fines are properly split upon receipt
- Ensure that reports and funds due to Beaver County and to the Commonwealth are correct and remitted in a timely manner
- Ensure that void receipts are voided for a valid reason
- Ensure that proper documentation is maintained in the case files
- Evaluate the controls over cash
- Evaluate the controls over purchasing and the administration of the budget
- Evaluate controls over general office procedures

**The Office of the Prothonotary
Statement of Receipts and Disbursements
For the Year Ending December 31, 2005**

Beginning Balance January 1, 2005		175,861.64
Income		
Beaver County	513,765.62	
Commonwealth of Pennsylvania	45,481.56	
Interest Bearing Accounts	58,500.90	
Other	<u>200,979.74</u>	
Total Income		818,727.82
Disbursements		
Beaver County	(503,138.02)	
Commonwealth of Pennsylvania	(44,457.39)	
Interest Bearing Accounts	(102,543.91)	
Other	<u>(111,130.99)</u>	
Total Disbursements		(761,270.31)
Adjustments:		
General Account		
12/31/2004 Interest	(113.75)	
12/31/05 Interest	531.74	
Misc. Adjustment	14.50	
Reissue December 2004 Void Check	700.00	
Court Ordered Interest Bearing Accounts		
Interest Not Recorded	1,377.59	
Interest Disbursements not Recorded	<u>(3,657.23)</u>	
Total Adjustments		<u>(1,147.15)</u>
Ending Balance December 31, 2005		<u>232,172.00</u>

**The Office of the Prothonotary
Statement of Receipts and Disbursements
For the Year Ending December 31, 2006**

Beginning Balance January 1, 2006		232,172.00
Income		
Beaver County	552,094.56	
Commonwealth of Pennsylvania	46,249.61	
Interest Bearing Accounts	3,792.73	
Other	<u>111,094.29</u>	
Total Income		713,231.19
Disbursements		
Beaver County	(552,979.71)	
Commonwealth of Pennsylvania	(46,642.98)	
Interest Bearing Accounts		
Other	<u>(175,907.78)</u>	
Total Disbursements		(775,530.47)
Adjustments:		
General Account		
12/31/05 Interest	(531.74)	
12/31/06 Interest	449.56	
Misc. Adjustment	(9.50)	
Court Ordered Interest Bearing Accounts		
Interest Not Recorded	<u>2,538.48</u>	
Total Adjustments		<u>2,446.80</u>
Ending Balance December 31, 2006		<u><u>172,319.52</u></u>

**The Office of the Prothonotary
Statement of Receipts and Disbursements
For the Year Ending December 31, 2007**

Beginning Balance January 1, 2007		172,319.52
Income		
Beaver County	641,837.96	
Commonwealth of Pennsylvania	47,803.40	
Interest Bearing Accounts	92,978.69	
Other	<u>80,089.55</u>	
Total Income		862,709.60
Disbursements		
Beaver County	(638,220.94)	
Commonwealth of Pennsylvania	(47,334.10)	
Interest Bearing Accounts	(92,478.69)	
Other	<u>(104,462.90)</u>	
Total Disbursements		(882,496.63)
Adjustments:		
General Account		
12/31/06 Interest	(449.56)	
12/31/07 Interest	1,077.59	
Court Ordered Interest Bearing Accounts		
Interest Not Recorded	<u>3,807.55</u>	
Total Adjustments		<u>4,435.58</u>
Ending Balance December 31, 2007		<u>156,968.07</u>

**THE OFFICE OF THE PROTHONOTARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1, 2005 THROUGH DECEMBER 31, 2007**

Note 1: Summary of Significant Accounting Policies - The Office of the Prothonotary reports on the cash basis of accounting. Under the cash basis of accounting revenues are recognized when received and expenses recognized when the disbursement is made.

Note 2: Infocon Corporation Software - The Infocon System is the computerized system used by the Office of the Prothonotary for the preparation of all receipts accepted by the office personnel. These receipts are the source documentation for the daily deposits and are also the basis for the allocation of funds collected to the proper payees.

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March 6, 2008

Nancy Werme
Beaver County Prothonotary
Beaver County Court House
Beaver, PA 15009

Report on Internal Control Structure

We have audited the accompanying statement of account of the Office of the Prothonotary, Beaver County, Pennsylvania, for the period January 1, 2005 to December 31, 2007, and have issued our report thereon dated March 6, 2008.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the Office of the Prothonotary, Beaver County, Pennsylvania, for the period January 1, 2005 to December 31, 2007, we considered the office's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and the office's compliance with applicable regulations and

not to provide assurance on the internal control structure.

The management of the Office of the Prothonotary is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with prescribed policies. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, future reliance on any evaluation of the structure, past or current, is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the internal control structure we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. Additionally, we assessed control risk for the internal control structure except for matters of compliance. Compliance with applicable laws and regulations was considered when assessing control risk for the internal control structure.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the county office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce, to a relatively low level, the risk that material errors or irregularities affecting the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. We noted the following reportable conditions:

- Bond Receipt Error Created \$1,430.00 County Revenue Loss
- Receipts Were Backdated
- Lexis Nexis Overpayment Should Be Reviewed
- Escrow Account For Payee 516 Not Fairly Stated
- Multiple Errors Found On Interest Bearing Accounts
- State Receipts And Disbursements Reports Did Not Balance
- A Separate Cash Fund Was Maintained With No Supporting Receipts
- Old Escrow Items Require Follow Up
- Receipt Errors Created Phantom Receivables
- Not All Funds From Lexis Nexis Were Receipted

For further elaboration on these weaknesses, refer to the "Findings, Observations and Recommendations" section of this audit report.

This report is intended solely for the information and use of the Office of the Controller, management, and others within the administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

David A. Rossi

David A. Rossi
Beaver County Controller

FINDINGS, OBSERVATIONS AND **RECOMMENDATIONS**

Finding 1: Bond Receipt Error Created \$1,430.00 County Revenue Loss

Bond review revealed that county fees for case 2004-70455 were incorrectly charged which resulted in unpaid fees to the county amounting to \$1,430.00. The Beaver County Fee for percentage bonds is 30% of the posted bond. The posted bond in this case was \$5,000.00 and the 30% charge should have been \$1,500.00. It would appear the problem occurred when the 10% \$50,000.00 bond was paid with \$5,000.00 in cash, which was mistaken for a straight cash bond. The bond fee was then assessed as a straight cash bond which is charged 3 percent on the first \$1000.00 and 1% on the remaining balance, thus resulting in fees to the county of \$70.00. A straight cash bond on case 2004-70455 would have been a payment of \$50,000.00 which would have been stipulated by the courts.

Recommendation:

It is recommended that the Prothonotary review the difference between a straight cash bond and a percentage cash bond with office personnel explaining that paying in cash does not constitute a cash bond. A straight cash bond on case 2004-70455 would have been a payment of \$50,000.00 which would have been stipulated by the courts.

Observation 1: Not All Funds From Lexis Nexis Received

Review of Prothonotary receipts revealed that not all funds received from Lexis Nexis were receipted. Some filing fees were incorrectly accepted by the Prothonotary Clerks and then adjusted the following day. Acceptance of filings fees caused Lexis Nexis to transfer fees to the county thus creating an overpayment. Fees received that are determined to be incorrect are not being receipted by the Prothonotary Clerks. Corrections the day after acceptance of filing fees resulted in Lexis Nexis taking a credit for these fees in following days. This resulted in funds being deposited to the Prothonotary's checking account that were not accounted for.

*note: The Lexis Nexis system will be discontinued as of June 1, 2008

Recommendation:

It is recommended that all funds received by the Prothonotary office be receipted into the Infocon system. Fees that are credited by Lexis Nexis should be treated as a refund of overpayments. The Prothonotary's office should continue discussions with office personnel and Lexis Nexis to insure any programming or procedural errors are corrected to prevent future overpayments.

Observation 2: Receipts Were Being Backdated

Review of the Prothonotary's receipts revealed that some items were being back dated. It would appear that these items were being backdated to correct clerical errors on receipts. These receipts were being voided and new receipts created to correct clerical errors.

Recommendation:

It is recommended that the Prothonotary create an office policy stating that there shall be no backdating of receipts and that all voids should be done using the current date and not the date of the original transaction.

Observation 3: Lexis Nexis Overpayment Should Be Reviewed

Case file review revealed possible problems with the new Lexis Nexis File & Service system. Case number 2007-31103 was E-filed with the Prothonotary's office and rejected at which time receipt 288013 was created. The case was corrected, resubmitted the next day and accepted by the Prothonotary clerk. At this time a second receipt 288079 was created by the Prothonotary's office for the same filing. Only one receipt should have been created and one payment received from Lexis Nexis, however two receipts were created and two payments from Lexis Nexis were received.

*note: The Lexis Nexis system will be discontinued as of June 1, 2008

Recommendation:

It is recommended that the Prothonotary review the office policy for the receipting of cash received from Lexis Nexis. It is also recommended that the Prothonotary's office review case number 2003-31103 to determine the true amount due on this case and make corrections based on this review.

Observation 4: Escrow Account For Payee 516 Not Fairly Stated

A review of the Infocon Escrow Report revealed that Item, PAYEE: 516 INTEREST BEARING ACCOUNTS, does not represent a true accounting of court mandated interest bearing accounts. Some court mandated cases were tracked on an individual case file basis and were not entered into the Infocon reporting system. No receipts were generated to account for these funds. In addition to this interest earned on these accounts were not entered into the Infocon system. Funds have come through the Prothonotary's office with no accounting or traceability other than a bank deposit book. All disbursements for Court Mandated Accounts were being made by the bank and not through the Infocon accounting system. The 12/31/2007 escrow total for payee 516 was \$256,603.11 but the correct escrow for payee 516 on 12/31/07 was \$65,316.82.

Recommendation:

It is recommended that the Prothonotary's office review their escrow report concerning PAYEE: 516 INTEREST BEARING ACCOUNTS and adjustments made to bring this item up to date so that it represents a true balance that agrees with the totals of all interest bearing accounts. It is further recommended that from this time forward all court mandated funds be receipted through the Infocon system the same as any other funds. It is also recommended that interest paid on interest bearing accounts be entered into the Infocon system on a regular basis so that the Prothonotary's escrow is fairly stated.

Observation 5: Multiple Errors Found On Interest Bearing Accounts

Case 2006-12565 is a court mandated interest bearing account for a condemnation in which the State of Pennsylvania deposited \$92,478.69. The order releasing these funds upon final determination only covered the release of the original deposit and did not include the accumulated interest. Therefore this account remained active with a 12/31/2007 balance of \$762.88. Because this case was closed and there was a balance remaining in the bank account follow-up action should have been performed to determine the disposition of the remaining funds.

Further review of case 2006-12565 revealed a second interest bearing account with this same case number. This second interest bearing account did not appear in any of the filings for case 2006-12565. It was determined that this case should have been case number 2006-12564. Review of case 2006-12564 revealed that the Department of Transportation deposited \$500.00 into two interest bearing accounts. The interest bearing account that was marked 2006-12564 has since

been settled and the bank account closed. The second bank account that was incorrectly marked case 2006-12565 remained open at the time of review.

In addition a divorce decree was mistakenly attached to filings for case 2006-12565 and filed with the case.

Recommendation:

It is recommended that a letter be written to the Beaver County Courts considering case number 2006-12565 requesting a determination of ownership of the remaining accumulated interest with a request to release these funds. This is necessary to prevent this account from becoming old and untenable like other items on the Prothonotary's Escrow. It is also recommended that all balances in the Court Mandated Interest Bearing Accounts be reviewed on a regular basis and a form letter created and periodically sent to lawyers and other persons associated with these cases to prevent these cases from lingering unnoticed by the courts.

It is recommended that interest bearing case 2006-12564 be reviewed to determine whether the remaining \$500.00 account has been settled or remains open.

It is also recommended that the Prothonotary develop a written policy that will cover all aspects of receipting, tracking and disbursing funds from all Court Mandated Interest Bearing Accounts.

Observation 6: State Receipts And Disbursements Reports Did Not Balance

There are discrepancies between several of the state collection and state disbursements reports. These discrepancies resulted in the underpayment of receipts to the State of Pennsylvania. An error of \$10.25 occurred in January 2007. An error of \$.25 occurred in April 2007 and an error of \$10.50 occurred in November 2007. Total underpayments for 2007 amounted to \$21.00

Recommendation:

It is recommended that the Prothonotary's office review their 2007 state reports to determine what caused these errors and correct their payments to the State of Pennsylvania.

Observation 7: A Separate Cash Fund Was Maintained With No Supporting Receipts

The 2004 county audit cited the collection of funds for copy fees without issuing a receipt. This practice was continued through the 2007 audit. Customers are charged \$.50 per page for copies and the Prothonotary's management stated that it was not cost effective to create three page computer receipts for this amount. The funds are kept separate from other receipts and a single receipt is created when the bookkeepers decide to deposit the funds. Funds that are not receipted become untraceable, possibly resulting in lost or misappropriated funds.

Recommendation:

It is recommended that receipts be made for all incoming funds, including copy fees, regardless of the amount charged to help prevent the loss or misappropriation of these funds.

Observation 8: Old Escrow Items Require Follow Up

It would appear that that the 12/31/2007 Escrow report is fairly stated with the exception of account 516: Interest bearing accounts, which was reviewed separately (see Court Mandated Interest Bearing review). However some older items continue to appear on the Escrow report, some of these items date back to 1996. The Prothonotary has made a concerted effort to resolve these issues with the attorneys in charge of these cases. There has been little to no response from these attorneys.

Recommendation:

It is recommended that the Prothonotary contact her solicitor and inquire whether these cases can be either disbursed or escheated to close the case or clear the escrow.

Observation 9: Receipt Errors Created Phantom Receivables

The Prothonotary's office policy does not allow credit however the previous audit revealed some items being posted as receivables, for this reason accounts receivable were reviewed again. Review of report, Cases With a Balance Due, revealed that several items have a balance due. However after further review it would appear these items were receipting errors. Some of these errors occurred when clerks tried to correct receipts prior to posting. A total of \$372.50 was listed on the Cases With a Balance Due report as of 12/31/2007.

Recommendation:

It is recommended that the Prothonotary's office periodically review the Cases With a Balance Due report and resolve or correct erroneous items. It may also be beneficial to review the correction of receipts prior to posting with office personnel.

An exit conference was held on April 11, 2008
at the Office of the Prothonotary for the purpose of discussing the items presented in this
report. Those in attendance were:

The Office of the Prothonotary

Nancy Werme - Prothonotary

Marilyn Biancucci - Chief Deputy

Marilee Rousseau – Book Keeper

Beaver County Controller's Office

Charles Gibbons - Auditor

The results of the audit were discussed in there entirety during this conference.

A form has been enclosed with this report to be completed by the Office of the Prothonotary. This form restates all findings noted in the audit. The office of the Prothonotary is requested to complete the corrective action section for each finding. If no corrective has been taken please state this. Return this form to the Office of the Controller within thirty days of receipt. This form will be incorporated and become a part of this report. As part of the Office of the Controller's normal reporting procedure, a copy of this report along with your responses will be distributed to the Beaver County Law Department.

**THE OFFICE OF THE PROTHONOTARY
AUDIT RESPONSES
FOR THE PERIOD JANUARY 2005 THROUGH DECEMBER 2007**

Summary Of Findings:

**OFFICE OF THE PROTHONOTARY
COUNTY AUDIT FOR THE PERIOD OF JANUARY 1, 2005
THROUGH DECEMBER 31, 2007**

FINDINGS OBSERVATIONS AND RECOMMENDATIONS RESPONSES

Finding 1: Bond Receipt Error Created \$1,430.00 County Revenue Loss

Mistake occurred. The bond was taken in as a Percentage Bond and was disbursed as a Cash Bond.

Observation 1: Not All Funds From Lexis Nexis Receipted

Recommendation that all funds received by Prothonotaries Office be receipted into the Infocon system daily, including credited Nexis Lexis fees and treat as refunds for overpayments. Recommendation in principle is correct procedurally if the intent of the recommendation is for an accurate daily receipt balance report. However, the Lexis Nexis intake system is such that it reconciles corrections of credits within a 24 hour framework. A 24 hour day override for system corrective measures is more practical. Bookkeepers use a daily worksheet printout to tract transaction activity. Lexis Nexis revises the daily worksheet as the system corrects and balances.

Observation 2: Receipts were Being Backdated

In justification, backdating is rarely done. It is the least evasive corrective measure to correct an error on a prior created receipt. Use of a current date for a corrected voided receipt transaction changes our past deposit receipt records and all past journal entries would need to be rerecorded and newly run daily deposit receipt would needed to be reprinted. All voided receipts either on date issued as well as any backdated receipt corrected will have the voided receipt attached with reason for void.

Observation 3: Lexis Nexis Overpayment Should Be Reviewed.

Case No. 2007-31103

E-filed Filed on June 4, as Transaction #31509700

Next day June 5, at 9:06 accepted and with payment of \$15.00. It was then rejected.

On June 5, at 9:06 it was credited for \$15.00 which canceled out payment to credit balance of \$0 owed.

June 5 at 9:29 Transaction #15105469 was accepted and \$15.00 paid.

Resolution: Corrective Measure

Called Lexis Nexis 3/28/08 and it was confirmed that one payment was received. Infocon showed two payments. Infocon voided first receipt #288013 on 03/28/2008.

Observation 4: Escrow Account for Payee 516 Not Fairly Stated

Manual Card record keeping of Payee 516 Accounts was an established practice in place that continued to the present. Lack of procedural policy created inconsistencies with the opening of Interest Bearing Accounts. Presently, all Interest Bearing Accounts are posted, maintained and disbursed through Infocon.

Observation 5: Multiple errors Found On Interest Bearing Accounts

12564-2006 Condemnation

Plaintiff: Commonwealth of PA Dept. of Transportation

Defendants: John Horton

Mary Snyder

Attorney for Plaintiff: Michael Creighton, Esquire

Christopher Clemens, Esquire

Attorney for Defendant: none listed

Status: Closed

12564-2006 Condemnation

Plaintiff: Commonwealth of PA Department of Transportation

Defendant: Paul Morak

Attorneys: none listed

Status: Open Amount \$524.49

Opened account with \$500.00 plus accumulated interest of \$24.49.

12564-2006 Condemnation

Plaintiff: Commonwealth of PA Department of Transportation

Defendant: Amy Palich

Attorney for Defendant: Jeff Bovolino, Esquire

Status: Open Amount \$767.75

Due to accumulated Interest of \$767.75, which was not included in the Order to Disburse money in Interest Bearing Account. \$92,478.69 was disbursed by Court Order on 04-25-2007.

Jeff Bovolino, Esquire has been notified numerous times of the undisbursed Interest both verbally and through the mail.

Court Orders for all Disbursement in Interest Bearing Accounts are filed by the Attorney in charge and signed by the Judge. The Prothonotary Office can only appraise the filing party of case status. Court orders determine case disposition.

Observation 6: State Receipts And Disbursements Reports Did Not Balance

Regarding discrepancies between several of the state collection and state disbursements reports.

\$10.25 January 2007

\$.25 April 2007

\$10.50 November 2007

Total underpayments for 2007 amounted to \$21.00

To date, the Prothonotary Office has not received the 2007 State Reports for scrutinization of discrepancies and comparative review.

Reviewed Infocon generated void report for the above mentioned months. No errors discovered.

Observation 7: A Separate Cash Fund Was Maintained With No Supporting Receipts

Because the waste of creating three copies per single computer generated receipt on a \$.50 copy fee is not cost effective. The practice of accumulating and receipting collected small change transactions is supported by an accountable money tally daily.

As recommended, all copy monies, regardless of amount are receipted on intake.

Observation 8: Old Escrow Items Require Follow Up

Bank Card Cases "Old Monies", some of which date back to 1996 continue unresolved. Aware of the Old Escrow Items, disposition is by case attorney and the discretion of court review and regulation.

Observation #9: Receipt errors Created Phantom Receivables

Periodic review of Cases with balance due are corrected. Credit receivables are due to receipting errors.